

Senate Bill Means Higher Costs, More Uninsured

Excerpts from Letter From Kim Holland, State Insurance Commissioner for Oklahoma, to Dr. Coburn on Senate Majority's Health Bill¹

Currently in Oklahoma, Half of Uninsured Do Have Access to Very Affordable Coverage

- The Oklahoma Health Care Authority has estimated that there are nearly 600,000 uninsured working Oklahomans — nearly half between the ages of 19 and 32.... A healthy 25-year-old male in Oklahoma can purchase a comprehensive individual health insurance policy from a major Oklahoma medical insurer for just \$1,634 annually. In Oklahoma, affordability is not the issue for this age cohort.

Majority's Bill Will Increase Premium Costs and Number of Uninsured

- The Senate Leadership bill includes a minor penalty for non-enrollment scheduled to be phased in over a three year period beginning in 2014.....This penalty is inadequate to induce a large-scale take up of health coverage among Oklahoma's uninsured. Even with generous premium credits, the absence of a strong non-compliance penalty will not encourage the desired and necessary take-up among the young and healthy to offset the greater risk and cost of the older and unhealthier.
- The [bill as currently drafted] will likely result in those with chronic or serious health issues purchasing coverage while younger healthier individuals simply choose to pay the nominal penalty. The result will be higher insurance rates due to a higher percentage of insured being higher risk/expense individuals.
-in the absence of a strong [individual mandate] to purchase coverage [in the Senate leadership bill], the consequences of adverse selection can cause market disruption, higher costs and lower than desired take-up rates.
- Of concern to us are reports from the CBO and others that the Senate reform plan will reduce premium costs. In actuality, we believe premium costs will rise substantially if adverse selection is allowed to occur and if the cost of medical care is not addressed. While the generous premium subsidies contemplated by the bill will indeed reduce an individual's expense in financing their health care needs.... health insurance premiums will not be lower.

¹ Headings excepted, excerpts are direct quotes unless otherwise noted.

Majority Bill Does Not Rein in Rising Costs to Americans, States, or Government

- ... this bill does very little to address rapidly increasing health care costs. Data shows that the number one driver in health insurance premium costs are increased medical costs and utilization....on average, between \$0.80 and \$0.90 of every premium dollar for a comprehensive health plan is spent directly on benefits to policyholders.

Majority's Bill Uses Rating Rules That Will Drive Up Costs and Increase the Uninsured

- The Senate Leadership bill would restrict the use of risk factors in determining rates to geographic area, smoking and age and would limit age bands to a 3:1 ratio.
- The age band restriction will shift the cost of the older individual to the younger individual.
- Blue Cross estimates that this factor alone will increase the base cost for a healthy 25-year-old by 44 percent in Oklahoma. This higher cost burden on the young will further discourage coverage take-up and drive up costs to the remaining insured's.

Majority Bill's Government-Run Health Insurance Plan Could Increase Costs for Private Plans, Negatively Impact Medical Providers and Health Delivery System

- Although the bill provides that the federal government would “negotiate” provider rates, experience with Medicare and Medicaid suggests that reimbursement rates for a federal public option would result in low reimbursement rates.
- Currently, our medical provider community relies on private pay to make up the difference in cost of services over government reimbursement rates resulting in higher private insurance rates – more cost-shift.
- In addition, we have concerns over the potential for government to assert an unfair advantage that would adversely affect our insurance markets and further stress our health care delivery system.

Majority Bill's Employer Mandate Encourages Fewer Businesses to Offer Benefits

- The Senate Leadership bill would impose a penalty on employers who do not offer coverage equal to \$750 for any employee who purchases coverage through a state exchange. This penalty is inadequate to induce an employer to establish a plan. Most employers who do not offer coverage have fewer than 50 employees (only 37 percent of Oklahoma small businesses offer coverage compared to 48 percent

nationally) and most uninsured Oklahomans work for small businesses. This nominal penalty creates a potential incentive for certain small employers who currently offer coverage to employees to drop their plan and simply incur the penalty at less expense than the cost of a plan - particularly once the small employer tax credits sunset.

Majority Bill's Move to Enroll 15 Million Low-Income Americans in Medicaid Will Cost State More; Additional Costs of Expansion Could be "Severely Underestimated"

- The Senate Leadership bill would increase eligibility requirements for Medicaid.... The Senate Leadership bill would expand eligibility to all non-elderly persons with incomes up to 133% of FPL.
- This would increase Medicaid rolls by an estimated 285,000 adults and the state's annual cost share by \$116 million.
- This rough estimate is based on current Medicaid experience and does not include working-aged individuals who have not accessed reasonable and timely medical care due to an inability to pay.
- Our concern is that the cost of this expansion for the state is severely underestimated.

Majority Bill's Health Insurance Cooperatives Likely to Be Ineffective and Costlier

- The Senate Leadership bill would provide funding to establish non-profit health insurance "co-ops."
- Some of the principles embodied in this idea already exist. For example, Oklahoma's largest health insurer, with nearly 30% of the Oklahoma health insurance marketplace, is a mutual company owned by policyholders for the benefit of policyholders.
- We question the likelihood that this notion will produce a lower cost option while meeting all requirements stipulated in the bill (specifically, benefit and solvency requirements).